

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 8, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, June 8, 2006 at Stoney Creek Inn, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair and Greg Seyfer. Commissioner Toni Urban was absent.

Chair Hamilton called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. She advised of the following modifications to the agenda: move Item 9 to Item 5 and renumber accordingly, and Item 7C is withdrawn. Commissioner Bair moved to approve the agenda as amended. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton requested a motion to go into Executive Session. Commissioner Bair moved to go into Executive Session for the purpose of receiving DCI background investigation reports pursuant to Iowa Code Section 21.5(1)g and advice from legal counsel pursuant to Iowa Code Section 21.5(1)c. Commissioner Cutler seconded the motion, which carried unanimously on a roll call vote. (See Order No. 06-51)

Following Executive Session, Chair Hamilton requested a motion to approve the minutes. Commissioner Cutler moved to approve the minutes from the April 20, 2006 meeting as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-52)

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. He provided the following information concerning future Commission meetings:

- July Commission Meeting – July 13, 2006 – Stoney Creek Inn, Johnston, IA (Submissions due by June 28, 2006)
- August Commission Meeting – August 31, 2006 – Stoney Creek Inn, Johnston, IA (Submissions due by August 17, 2006)
- September 2006 – No Commission Meeting
- October Commission Meeting – October 5, 2006 – IOC Bettendorf, Bettendorf, IA (Submissions due by September 21, 2006)

He noted that the meeting dates had been arranged so they would not conflict with the G2E Gaming Expo, which many in the industry attend.

Mr. Ketterer introduced Tammy Storey and Jesse Goldstein, IRGC employees at Prairie Meadows Racetrack & Casino (PMR&C).

Chair Hamilton called on Wild Rose Clinton, L.L.C (WRC)/Clinton County Community Development Association (CCCCDA) and Catfish Bend Casinos II, LLC (CBC II)/Southeast Iowa Regional Riverboat Commission (SIRRC) regarding their license

applications to acquire the Mississippi Belle II and Catfish Bend Casino facilities respectively.

Jamie Beult, representing Wild Rose (WR), spoke about the Upper Mississippi River and how little is written about it. She indicated the proposals before the Commission today plan to change that. Ms. Beult stated that as the proposals were put together, the applicants kept the Commission's directives from a year ago in mind: maintain a thriving industry, promote responsible gaming, community development, and economic growth. She stated that the presentation would be given in two parts beginning with WR, followed by Huckleberry Entertainment, LLC (HE), an investment company based in southwest Iowa, led by Randy Winegard.

Ms. Beult noted that WR is the newest gaming company in Iowa, founded by Gary Kirke and Dr. Mike Richards. These gentlemen like Iowa projects, and this proposal is no different. Ms. Beult stated the only part of this project that will not be all Iowa is the visitors to the facility, with the majority coming from Illinois. She noted that the Wild Rose Emmetsburg (WRE) property opened recently, and that WRE, as well as Mr. Kirke and Dr. Richards personally, have already made significant investments in the community. They recently saved the country club from bankruptcy, and have acquired additional land for development. Ms. Beult gave the following quote from Julie Clarkson, President of Palo Alto County Gaming Development Corporation: "We couldn't be more proud of our gorgeous facility in Emmetsburg. It has met and exceeded all of our expectations. More important, Palo Alto County has already experienced economic development and new businesses, including our first McDonald's. These are things that will make a difference in years to come." Ms. Beult stated that WR's vision for this facility extends beyond acquiring a riverboat; they will be creating a land-based facility with additional amenities, including a hotel, on the west side of Clinton. She noted that until the land-based facility is complete, WR will operate the MB II as a riverboat, maintaining the cruising schedule and name. At the completion of the relocation sometime in late 2007, the name of the facility will be changed to WRC.

Ms. Beult introduced Kevin Preston, Director of Operation for WR, noting that his latest accomplishment in the gaming industry was opening WRE on budget and on time. Mr. Preston noted that WR is excited about this new opportunity to grow in Iowa, stating that the WR management team is one that will make a difference in gaming in Iowa. The primary goal in Clinton is to reinforce the value of the casino as an active, engaged member of the community. He noted that the impact on jobs is a primary concern in the community. Mr. Preston advised that WR intends to maintain the current level of employees, and create additional jobs with the new facility and expansion.

Mr. Preston stated that during the first year of operations, WR plans to increase revenues from \$27 million to \$29 million, donate in excess of \$1.5 million to the local community, and pay more than \$6.5 million in state gaming taxes. As WR builds the new resort, hotel and convention center, they believe Clinton, the county and region will benefit from the economic benefits. Mr. Preston stated that once the new facility is completed,

revenues are projected to climb to \$32 million and will slowly continue to increase thereafter. The number of slot machines and table games at the new facility will be increased from 506 to 650 and 14 to 20 respectively.

The Clinton area is a natural market for gaming due to its many other recreational activities: water, sports, ballet, recreational theater, and many festivals already drawing on the riverfront, which draw approximately 1.5 million visitors per year. Mr. Preston noted that even though the population of Clinton County has declined 14.5% since 1980, the 2005 population within a 75-mile radius has increased 6.6% since the 1990 census. He noted that the core market area for the MB II is western Illinois, Wisconsin and Iowa, with approximately 66% of the 450,000+ patrons coming from Illinois. Another 26% come from Iowa.

Mr. Preston stated that WR's projections for an immediate increase in revenue are based on several changes: upgrading 35-40% of the slot machines; redesigning the slot floor to provide more comfort and room for players; and upgrading the buffet. The long-range goal is to build a distinctive resort to make the WRC a preferred destination for tourists and players. He noted that Clinton has received a Great Places Grant, which will be utilized to refurbish the riverfront park, create a distinctive board walk, build a multi-station community exercise area; create walking/hiking trails in Eagle Point Park and possibly build a riverfront museum. WR believes these improvements will help draw visitors from greater distances, such as Rockford, Chicago, and Milwaukee.

Mr. Preston stated that with two facilities, WR will be able to co-market their properties through their Players Club and awards programs. He noted that Players Points from the MB II would immediately transfer to the WR program.

Mr. Preston concluded his remarks by stating that the community is rallying behind WR's efforts with regard to the Clinton facility. Ms. Buelt advised that WR is aware of how important community support is to the Commission. She noted that Clinton was one of the first Iowa cities to embrace riverboat gambling; and this proposed transaction has been well received by the city, county, and residents.

Ms. Buelt introduced Tom Fullerton, Vice President of the Clinton National Bank, and a board member of the CCCDA. Mr. Fullerton stated that since 1991, CCCDA has returned over \$10 million to Clinton County communities and various non-profit organizations. The funds have supported economic development, tourism and improved the quality of life in every community within the county. He noted that everyone is pleased with the proposed sale to another Iowa-based investor. Mr. Fullerton stated that the Kehl family has been a great owner/operator of the MB II since the beginning, but now choose to focus their time and effort on the Riverside project. He indicated that WR's plan to relocate to the west side of Clinton will bring a new and exciting entertainment center to the community, and will stimulate additional economic development opportunities. He requested the Commission's support of this transaction.

Ms. Buelt advised that LaMetta Wynn, Mayor of Clinton, was unable to attend the meeting, but had written a letter in support of the transaction. Mayor Wynn requested that the following excerpt be read: "When news began to circulate that the Kehl family might be selling its interest in the Mississippi Belle II, those of us in elected office, as well as those who enjoy this form of entertainment, were quite concerned. We were very pleased to hear that the leading suitor was an Iowa company with Iowa roots and an Iowa commitment. Wild Rose plans to be part of our community and is actively working to make this casino resort bigger and better. While we know that Wild Rose is the newest Iowa gaming company, we have been impressed with the level of investment and development it has made in Emmetsburg. We look forward to seeing their vision take form in Clinton."

Ms. Buelt advised the Commission that the Mississippi Belle II Employees Ownership Trust overwhelmingly voted to support the transfer of ownership with a 99.8% approval out of the 124,662 votes. The Trustee for the group also approved the transaction.

Ms. Buelt reiterated WR's intent to make the Clinton property a land-based facility. She introduced Pierce Coady, the lead architect for the project, to provide further information. Mr. Coady advised that the site acquisition has not yet been finalized, so the drawings being presented are preliminary concepts. Final plans will be presented in the near future. WR plans to purchase 29 acres on Clinton's west side, which is adjacent to Highway 30, Mill Creek Parkway and a new road that will connect to another major thoroughfare. The proposed facility is immediately across Highway 30 from where the Kehls proposed to move the MB II. Mr. Coady discussed the proposed site layout, noting that there would be a large water feature at the entrance. He stated that as the community continues their plans for riverfront development in the area, WR would continue to evaluate how their facility would be assimilated into the community. They will be looking to the local community for inspiration during the architectural and design aspect. Mr. Coady noted that Clinton has a very rich architectural history, and offers a surplus of materials to choose from. WR has elected to focus on the prominent natural materials found along the river – two of which are heavy timber and limestone. These materials will allow WR to connect to Clinton's past within the river and timber community.

The casino floor will have space for 650 slot machines, 23 table games, a separate high level playing area, a VIP lounge, and a casino bar with table top video poker machines. Additional components include a 45-room hotel, an Iowa store, a sports bar with casual dining, buffet-style dining, and meeting space for up to 150 people in a banquet setting. The site is laid out to allow the casino floor and hotel to eventually double in size as WRC's market share increases.

Chair Hamilton asked for clarification on the number of hotel rooms. Mr. Coady advised there will be 45 built during the first phase of construction.

Commissioner Bair asked how far the proposed site is from the river. Mr. Coady stated that it is not immediately adjacent to the river; however it does meet the regulatory statute

of being within 1,000 feet of the river's high water mark. He estimated it is three-fourths to one mile from the river to the south.

Ms. Buelt called for any further questions concerning the presentation. Commissioner Bair asked how the city feels this project adds to the riverfront. Ms. Buelt stated that the city is continuing to work on developing their riverfront. With the boat moving, the riverfront area can take on a different character. Mr. Fullerton stated that Clinton has had a revamped marina in their plans for quite some time. The city has also received funds from the Iowa Values Fund. The marina site is currently being dredged, and the current MB II location will become an expanded, modern and improved marina facility. Mr. Fullerton advised that approximately \$7 million is being spent on the park, which will have improved RV parking, marina, swimming pool, skate board parks, summer theater, etc. He indicated that he is not aware of any organized opposition to the riverboat leaving the waterfront.

Ms. Buelt moved to the CBC II portion of the transaction, noting that Randy Winegard is the president of Winegard Realty, and has been involved in several local projects, as well as casino developments in Black Hawk County, Colorado. His most recent project is the continued development of the Pzazz Hotel with the addition of Fun City, an entertainment complex. Future plans for development include a casino, convention and hotel center.

Mr. Winegard provided some background information concerning the current operation, noting that the local investors and the Kehl family have been very successful for twelve years. He pointed out that the current operation is unique in that it operates out of two locations in two counties under one license. Mr. Winegard stated that CBC has been a very successful regional operation. He advised that the main goal of the organization was, and still is, to provide community benefit and improve the quality of life within the communities. The non-profit organization, SIRRC, has benefited the communities of Keokuk, Burlington and Fort Madison. The riverboat is located very close to the Missouri border, and right on the Illinois border. In comparing the demographics of Worth County, and comparing it to Burlington/Fort Madison, Mr. Winegard pointed out that if you draw a 35-mile circle around the Worth County location, 65% of the population is in Minnesota. If a person drew a similar circle around Burlington and Fort Madison, 60% of the population is located in Illinois. He stated that a significant amount of CBC's gaming revenue comes from outside the state of Iowa.

Mr. Winegard stated that in order for the operation to continue to be successful, CBC II needs the Commission's approval for permanently moored facilities in both counties. Under the Kehl's management, the riverboat moved between Burlington and Fort Madison every six months, making it difficult to invest in land-based facilities. He believes that land-based facilities, such as hotel rooms, restaurants, and convention facilities, will significantly increase CBC's ability to increase their tourism base.

Mr. Winegard stated that with the addition of the amenities, the market study performed by Innovation Group shows revenues in both communities should almost double, with a

significant amount coming from outside Iowa. The two facilities will also provide better visibility, more traffic, and allow for more convenient parking in both communities.

Mr. Winegard stated that CBC is looking forward to continuing operations, improving the facilities and generating more revenue for the state of Iowa, the non-profit license holder and the communities in general.

At this time, Mr. Winegard turned the presentation over to Gary Hoyer, legal counsel for CBC, to walk the Commission through the purchase transaction, the legalities and financial aspects.

Mr. Hoyer stated that the application before the Commission is about community pride, southeast Iowa, Iowans investing in Iowa, reinvesting in order to survive and thrive, and local ownership and control. He indicated this transaction started about a year ago when Dan Kehl received a phone call from an Illinois gaming company seeking to purchase the CBC and MB II. He noted that the Kehls received a generous offer for both properties; however, following weeks of discussion and debate, there was a difference of opinion between the Kehls and the local investors. The Kehls wanted to accept the offer; however, the local board members, while not disputing the offer was fair, wanted to retain local ownership and control.

Mr. Hoyer stated the application contained information outlining the number of transfers, creation of subsidiaries and the organizational changes, which were done in an effort to accomplish the following: 1) sell the Kehl equity in the CBC southeast Iowa operation to a local group, HE; 2) to allow any CBC member who elected to sell their interest to do so on the same terms as the Kehls; 3) give CBC members an opportunity to invest in HE; and 4) improve the facilities in southeast Iowa to better serve the market, grow revenues and to continue their presence in both Burlington and Fort Madison to preserve the regional gaming license which includes three cities and two counties.

Mr. Hoyer noted that the Commission had already received three volumes of material concerning this transaction. He pointed out that CBC has three assets: the southeast Iowa operation, the equity investment in the Washington County Casino Resort (WCCR) and a management contract with MB II. The only asset to be sold is the southeast Iowa operation. In order to accomplish that, CBC was split into two subsidiaries: CBC II will own the southeast Iowa operations while CBC Riverside will own the management contract as well as the equity investment in WCCR. New operating agreements have been submitted for each entity. The board structure for each entity will remain similar to the current structure. The Kehl representatives will resign from the CBC II board, and Randy Winegard will resign from the CBC Riverside board.

The application before the Commission includes the continuation of CBC's tradition of serving both Fort Madison and Burlington. However, rather than changing the location of the vessel every six months, it is proposed that there will be year-round facilities in both communities. Mr. Hoyer stated that the proposal has been enthusiastically received

by both communities. A new agreement has been entered into with SIRRC, with revenues nearly doubling following the completion of this transaction and the enhancements.

As previously stated, current CBC investors were given the opportunity to sell their interest in CBC if they chose to do so. Mr. Hoyer stated that it is a testament to the community's support of this transaction that only approximately 4% of the nearly 450 local investors elected to take the money.

Mr. Hoyer stated that the information before the Commission also contains a conceptual lease for the CBC II property from HE for the casino facility in Burlington. A final draft will be submitted in a couple of months. A new building will be built to house the Burlington operation in an improved facility and location. These and other amenities will improve the facilities' ability to attract visitors from beyond Iowa's borders.

Mr. Hoyer turned the presentation back to Mr. Winegard, who gave a brief description of the proposed new facility in Burlington, noting that the history of Burlington and Fort Madison are tied to the river, the railroad and the steamboats. He indicated that the goal in both properties is to maintain the character of riverboat operations and the rail service. Mr. Winegard stated that CBC has approximately 24 acres of ground, which is already the site of "Fun City", an entertainment complex built by Mr. Winegard. The following amenities are being proposed: a recreational lake, a casino, an event center to seat 1,000 people, a parking garage with space for 740 cars, and a surface parking lot that will hold approximately 450 cars. There will be a "river walk" containing large photographs from postcards and advertisements depicting river scenes, riverboats, and rail service in Burlington. There will be a spa on the top floor of the hotel.

This site sits at the corner of Highway 61 and Highway 34 in Burlington, and is passed by 22,000 cars per day with 5,000 of those coming from outside Des Moines County. Mr. Winegard provided details of the various areas of the proposed facility in Burlington. The lobby will have a "winter garden". There will be a "Riverwalk" giving visitors a view of the lake and will also have a mural designed from old photographs borrowed from the Burlington and Fort Madison Historical Societies. The interior of the casino will try to take on the architecture of old riverfront buildings in Burlington and Fort Madison. There will also be murals depicting vintage travel brochures, as well as local amenities such as river recreation and riverboat travel. The events center will be able to be divided into two rooms with a permanent stage, but there will also be pull-out theater seating for 1,000. The room will hold approximately 700 for banquets. On the mezzanine level, there will be additional office space and a break-out room with seating for approximately 200. It is hoped the banquet facilities will bring additional events to the area, and additional visitors. The VIP Lounge and poker lounge are being designed to replicate an old Pullman railroad car.

Mr. Winegard stated that the current Catfish Bend facility would be permanently moored on the riverfront in Fort Madison, Iowa.

Chair Hamilton called for any questions for Mr. Winegard. Mr. Ketterer, noting there are concerns about minors gaining access to the casino, asked Mr. Winegard to describe the segregation of Fun City and the casino. Mr. Winegard, referring to the floor plan, indicated that he did not see the lobby entrance as a primary entrance into the casino due to the location of the parking garage. He noted that hotel guests would probably utilize that entrance. He noted that the main entrance to Fun City is on the south side, approximately 450 to 500 feet from the casino operation. He indicated most of the facilities for the children are west of the casino operation, with the exception of the indoor water park. Mr. Winegard stated that 21 is the legal gambling age in Iowa, and they will enforce the laws.

Mr. Ketterer asked why Mr. Winegard did not consolidate the license into one facility when the decision was made to purchase the CBC. Mr. Winegard stated that the 400 local investors are pretty evenly divided between Des Moines and Lee Counties, and have a great sense of community and community pride. He felt it would be a mistake from a business standpoint, as well as ethical, to choose between the communities. Mr. Winegard feels that both communities should share in the opportunities to develop their city. In his opinion, it would be detrimental to choose one community over the other.

Larry Smith, Chairman of SIRRC, stated that he has been involved with SIRRC almost from its inception, and is happy to be associated with an organization that makes a difference. Mr. Smith indicated that CBC is responsible for approximately 400 additional jobs in the area, and they hope to increase that if the proposal before the Commission is approved. He noted that the riverboat and revenue have been shared by Keokuk, Burlington, Fort Madison, and Des Moines and Lee counties, adding that these communities and counties are living regionalism every day. Ms. Smith stated that he was on the board when the decision was made to eliminate Keokuk from the operating schedule. He indicated that it was a difficult task, and does not want to be placed in that position again. He noted that the operation is Iowa-owned and operated, and the profits stay within the communities. He indicated he had concerns when he was first approached about the proposed sale, but those were alleviated when he heard that the local owners and investors were going to purchase the facility. He was pleased to hear that the proposal called for an expansion so that CBC would operate in both communities.

Mr. Smith noted that as part of the application there is a new operating agreement between CBC and SIRRC that is contingent upon the Commission's approval. The agreement requires CBC to continue to operate in both communities. He noted that CBC has agreed to convert its fee formula to SIRRC so that it is based on a percentage of revenue rather than per capita, which should nearly double the revenue received by SIRRC, and therefore, the revenue received by Burlington, Fort Madison, Keokuk and Des Moines and Lee Counties. Mr. Smith requested the Commission's approval of the application.

Commissioner Bair asked if immediate growth would occur in Fort Madison. Mr. Smith stated that \$2.5 million was spent to improve the riverfront at the current location, with additional funds expended when operations began. He indicated there are long-range

plans to convert the facility to a moored barge facility, which will allow Fort Madison to encourage additional development along the riverfront, as well as around the facility.

Mr. Smith introduced Bruce Slagle, Burlington City Manager, who stated that gaming has had a positive impact on southeast Iowa. He noted that voters in Des Moines and Lee Counties have supported gaming through three referendums, and overwhelmingly voted for the continuation of gaming in the area each time by at least 70%. Mr. Slagle pointed out that CBC and SIRRC have invested in the communities and created jobs. He noted that Burlington recently received Vision Iowa Funds, which will allow improvements to the minor league baseball park and a new library among many other improvements as well as commercial and private development. Mr. Slagle also commented on the regionalism of the operations.

Mr. Slagle introduced Dennis Hinkle, President of the Burlington/West Burlington Chamber of Commerce. Mr. Hinkle called this proposal a tremendous economic development project for southeast Iowa. He indicated the best economic growth occurs when existing businesses grow and expand. This proposal will create approximately 300 new jobs with a payroll of \$7.5 million and increase the tax base. The facility will draw additional visitors to the area who will spend money, which will then circulate around the community. Mr. Hinkle stated that the proposal also adds job diversity to the area, noting that the area has lost over 5,000 manufacturing jobs since 2001, and the jobs created by this proposal are desperately needed. Mr. Hinkle also requested approval of this project for the benefit of the region.

Mr. Hinkle introduced Dick Canella, Vice President of the Fort Madison Economic Development Corporation, and a former member and Chair of the Commission. Mr. Canella stated that the CBC II application has been the subject of much discussion and debate in Fort Madison, and shared some of the concerns of the community. He noted that Fort Madison had spent millions to renovate the riverfront; however, in 1993 the riverboat operating in the city left because of the state laws and rules regulating gambling. SIRRC was unable to locate an operator for the area, and determined it was necessary to reduce the schedule to serve two versus three communities, and decided to eliminate Keokuk. Mr. Canella indicated this decision was very hard on the three communities, even though the funds would continue to be equally divided between the three communities. After a year of trying to attract an operator, local investors stepped forward and developed the CBC project. Mr. Canella noted that the riverfront debt has been retired, and the casino continues to operate half of the year in Burlington and the other half in Fort Madison. He stated that CBC and SIRRC have been good corporate citizens, making many donations to worthwhile organizations in the region, as well as providing jobs and increased tourism.

Mr. Canella noted that the gaming industry has changed dramatically since his tenure on the Commission, and has become more competitive with the new moored barge facilities. He stated that it is imperative for southeast Iowa to stay competitive, which is not possible with a rotating schedule. Mr. Canella pointed out that politicians are always

talking about regionalism, and stated that Burlington, Fort Madison, Keokuk and Des Moines and Lee Counties have been practicing that concept for many years. He reiterated Mr. Hinkle's comment that the area has been plagued with plant closings over the last several years. Mr. Canella concluded his comments by voicing the Fort Madison Economic Development Corporation's support of the application as submitted to the Commission.

Mr. Hoyer asked for any additional questions. Commissioner Bair asked about the market for the current MB II boat. Mr. Preston indicated the current vessel is more conducive to dinner cruises, and there appears to be a market for those types of vessels.

Hearing no further comments, Chair Hamilton requested action on the applications. Commissioner Cutler stated that the Commission members had a lot of information to read; and that there are a number complex transactions within the request. However, what this application comes down to is the sale of two licenses to two entities, and then to allow Burlington and Fort Madison to expand their facilities to allow year-round operations rather than six months in each location.

Chair Hamilton stated that this application is what the Commission is looking for – Iowa investors and economic development. She noted that Mr. Winegard would have to face the members of his community on a daily basis, and, therefore, he would do right by his community in whatever he does.

Commissioner Cutler moved to grant the request for approval of an excursion gambling boat license to facilitate the sale of the Mississippi Belle II assets to Wild Rose Clinton L.L.C. and a request for approval of an excursion gambling boat license to facilitate the division of the existing Catfish Bend Casinos, LLC into two separate entities: 1) Catfish Bend Casinos II, LLC (Catfish II) which will own and operate the existing casino operations in Des Moines and Lee Counties, Iowa, and 2) Catfish Bend Riverside, LLC (Catfish Riverside) which will continue to own an interest in, and perform existing management agreements for Washington County Casino Resort. Commissioner Bair seconded the motion, which carried unanimously.

Commissioner Bair commented on the amount of material to review in a short time frame, but was comfortable with the legal aspects and the economic impact for southeast region of Iowa. Commissioner Seyfer concurred with Commissioner Bair's comments.

Hearing no further comments or discussion concerning the application, Chair Hamilton called for the vote. The motion carried unanimously. (See Order No. 06-53)

Following a short break, Chair Hamilton called on Natalie Schramm, General Manager of Diamond Jo, for a report on their 2005 financial audit. Ms. Schramm noted that net revenues increased to \$54.9 million, a 3% increase over 2004; EBITDA increased from 18.2% to 18.9%; net income was \$4.9 million, an increase of 8.3% from 2004. Capital expenditures totaled \$2 million, mostly for slot machines.

Chair Hamilton called on Mr. Preston for an update concerning the WRE property. Mr. Preston stated that to date 30,000 customers have visited the facility, with 10% of those coming from Minnesota. WRE has served 6,100 in their restaurant outlets. The third floor of the facility has opened up, and the leased space will be open for the grand opening. Mr. Preston indicated that everything is going well, with the numbers from the first weeks exceeding their expectations. The grand opening will be held on June 30th and July 1st, with entertainment and fire works both nights.

Chair Hamilton moved to the contract approval portion of the agenda, and called on Palo Alto County Gaming Development Corporation (PACGDC) regarding their request for approval of changes to their By-Laws. Ms. Clarkson advised that after receiving the license, PACGDC studied the by-laws of other non-profits. The request before the Commission today allows PACGDC a window of time within which to hold their annual meeting rather than a specified time.

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Amended By-Laws for PACGDC as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-54)

Chair Hamilton called on Black Hawk County Gaming Association (BHCGA) regarding their request for approval of changes to their By-Laws. As no one was in attendance, Mr. Ketterer noted that the Commission had received a letter setting forth the requested changes, and recommended approval.

Commissioner Seyfer requested that future requests along these lines be submitted in red-line in order to better highlight the changes being made.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the Amended By-Laws of BHCGA as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-55)

Chair Hamilton called on Catfish Bend Casino (CBC). Jerry Baum, General Manager, presented a contract with the United States Postal Service in Burlington for the renewal of the lease for office space for the IRGC and DCI offices. Chair Hamilton commented on the increased value of the contract. Mr. Baum advised that the rates had been increased.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by CBC. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-56)

Chair Hamilton called on Argosy Casino Sioux City (Argosy). Frank Quigley, General Manager, presented the following contracts for Commission approval:

- IGT – Lease of 8 Fort Knox Slot Machines
- Williams Gaming – Lease of 8 Jackpot Party Slot Machines
- HyVee Food Stores – Catering Services, Liquor and Groceries
- AC Coin – Lease of 8 Bankroll Slot Machines

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Argosy. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-57)

Chair Hamilton called on HGI-Lakeside (Lakeside). Damon Butler, General Manager, presented the following contracts for Commission approval:

- Aristocrat – Lease 6 Slot Machines
- Coventry Health Care of Iowa, Inc. – Health Care Insurance Coverage for Employees
- Golden Eagle Distributing – Purchase of Beer for Resale at Casino and C-Store
- Grimes Asphalt and Paving Corp. – Repaving Parking Lot
- Hawkeye Foodservice Distribution – Food/Supplies for Kitchen (Increase)
- Loffredo – Purchase Fresh Produce for Kitchen
- Martin Brothers Distributing – Food/Equipment for Kitchen (Increase)
- Micros Systems, Inc. – Point of Sale Upgrade and Maintenance Agreements
- Reinhart Food Services – Food & Supplies for Kitchen
- W.H. Sutton – Repairs & Maintenance of Various Equipment & Equipment Purchases

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by Lakeside. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-58)

Chair Hamilton called on Diamond Jo Worth (DJW). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- A. H. Hermel Co. – Cigarettes/Groceries for The Jo Stop; Cigarettes for Casino
- Kabrick Distributing Co. – Beer Products
- Lane & Waterman, LLP – Legal Fees
- Mayer, Brown, Rowe & Maw, LLP – Legal Fees
- PeopleService, Inc. – Operate/Maintain Water Tower and Sewage Treatment Facility
- Premium Beverage, LLC – Beer Products

- Reinhart FoodService – Food, Non-Alcoholic Beverages, Paper Supplies, Smallwares, Etc. (Increase)

In response to a question concerning the contract with Mayer, Brown, Rowe & Maw, LLP, Mr. Aviles advised that the firm is responsible for handling bond issues for the entire company.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJW. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-59)

Mr. Aviles gave a brief update on the operations at DJW. He indicated that the opening on April 4th and 5th was an indication of what was to come, noting that the impact of the facility on Worth County has been tremendous. Over 127,000 individuals visited the property in the first 24 days, more than double what was projected. There was a 4-1 ratio for the slot machines during the opening. Revenues were also double what were projected. During the opening days, 65% of the cars in the parking lot were from Minnesota with another 13% coming from Wisconsin. Mr. Aviles indicated that revenues for the second month were exceeding April revenues. Their 102-room/suite hotel will be opening in November.

Mr. Aviles noted there were several issues during the opening, two of which were individuals waiting for slot machines, and the cash machines in the facility ran out of money.

As there were no questions for Mr. Aviles on the opening of the DJW, Chair Hamilton called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Dubuque Bank & Trust, Washington County, City of Riverside – Tax Revenue Shortfall Agreement
- Dubuque Bank & Trust, Washington County, City of Riverside – Advance of Proceeds Agreement
- Washington County, City of Riverside, County Assessor – Assessment Agreement
- IGT – Agreement for Wide Area Progressives
- Konami Gaming – Casino Accounting System
- North Country Business Products – MICROS POS System
- Corridor Paint & Drywall – Casino Interior Framing of Kitchen/Restaurant
- Eastern Iowa Light & Power Cooperative – Substation Property Lease
- Aristocrat Technologies, Inc. – 220 Slot Machines
- Agilysys NV, LLC – MMS System
- Cummins Allison Corporation – MPS Currency Counters

- E-GADS, LLC – Slot Displays
- Mid States Steel Corp. – Spa Structural Steel
- Allied Construction Services – Casino Operable Wall System
- Knutson Construction Services – Spa Erection Steel
- East Moline Glass Company – Casino Windows
- Corridor Paint & Drywall – Casino Studs and Drywall
- CJ Moyna & Sons – Golf Course Clearing and Excavations
- Pool Tech Midwest, Inc. – Pool/Tub
- Knutson Construction Services – Casino Finish Carpentry
- Liberty Doors, Inc. – Casino Doors & Hardware
- Brockway Mechanical – Casino Water Features
- Feaker Painting, Inc. – Casino Painting/Wallcovering
- Rheinschmidt Tile & Marble – Casino Ceramic/Stone
- Rheinschmidt Tile & Marble – Casino Floor Coverings
- WMS Gaming – Slot Machines
- Brockway Mechanical – Kitchen Exhaust Hoods
- Springer Miller – PMS
- Vital Support Systems – Network Hardware and Phones
- HP Software Licensing & Management Solutions – Server Hardware and Licenses
- Rheinschmidt Tile & Marble – Hotel Floor Coverings
- Midwest Glazing, LLC – Aluminum Framed Entrances & Curtain Walls
- Brockway Mechanical – Pool/Spa/Pro Shop Metal Walls & Soffit Panels

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-60)

Mr. Massa advised that construction continues to proceed ahead of schedule, with the back office area being worked on last week. There are 1,000 slot machines ready to go on the floor once the gaming floor is carpeted this week. Mr. Massa stated there are currently 50 plus employees working, and close to 200 are enrolled in the dealer's school. He indicated that security is being tightened, with all employees and contractors required to have a badge; over 800 badges have been issued to date. Mr. Massa stated that everything is on schedule for a September 1 opening.

The golf course is under construction, with eight holes mostly finished. The grass seeding will be done in August, with the course to open in the spring of 2007.

Hearing no further comments or questions for Mr. Massa, Chair Hamilton called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- Agilysys NV, LLC – New SDS Server and Hardware

- Dell Computer Corp. – Computers and Equipment
- Horizon Media, Inc. – Buyer for TV, Radio and Newspaper Advertising
- Sobel Linen Company – Sheets and Linens for Hotel Rooms
- Southwest Airlines – Business Travel and Customer Travel

Commissioner Seyfer asked about the contract with Horizon Media. Mr. Rich advised that the company purchases advertising for Harrah's company-wide. Gaye Gullo, General Manager, stated that Horizon Media works with local media to get the advertising on air. As they are an agency, they work with the major affiliates versus the local stations in order to achieve the best economies of scale and make sure it is cost effective. She indicated that Harrah's will probably spend close to \$100 million this year on advertising; with approximately \$650,000 for the Bluffs properties. Ms. Gullo stated that the amount listed on the contract is what will be going to the local markets, not Horizon Media.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-61)

Chair Hamilton called on Horseshoe Casino/Bluffs Run Greyhound Park HC/BRGP). Mr. Rich presented the following contracts for Commission approval:

- Agilysys NV, LLC – New SJS Server and Hardware
- Horizon Media, Inc. – Buyer for TV, Radio and Newspaper Advertising
- Paramount Linen & Uniform – Linen and Uniform Vendor
- Pegler Sysco – Smallwares and Food Unavailable from Primary Food Vendor
- Show Productions, Inc. d/b/a Audio Visions – Audio Production for Concerts at Whiskey Roadhouse

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by HC/BRGP. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-62)

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with Shuffle Master Gaming for novelty games and shufflers for Commission approval.

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by DGP&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-63)

Chair Hamilton called on Prairie Meadows Racetrack & Casino. Tom Flynn, legal counsel, presented the following contracts for Commission approval:

- Deloitte & Touche – Consulting Services, Management and Organization
- Iowa Horseman's Benevolent Protection Association – One Year Supplemental Agreement
- IGT – Lease Renewal – Slot Games
- Iowa Quarter Horse Racing Enterprise, Inc. – One Year Supplemental Agreement (RP)
- Jack Bishop – Employment Agreement

Chair Hamilton asked how the search for the new general manager was going. Mr. Flynn advised that the Board of Directors for PMR&C interviewed four search firms – two national and two from Des Moines. They chose to hire one of the Des Moines firms at the May meeting, and the firm is in the process of locating possible candidates. The firm, which has been encouraged to move as quickly as possible, is to report back to the Board by mid-July.

Chair Hamilton asked about Gary Palmer serving as CEO or Interim CEO. Mr. Flynn stated that Mr. Palmer has indicated an interest in the position, and will be submitting an application. Mr. Flynn advised that when Bob Farinella, former CEO, gave a 30-day notice, the Board decided to conduct a national search for a replacement. The Board felt that naming Mr. Palmer as the interim CEO would have a “chilling” effect on the search.

Commissioner Bair noted that Jack Bishop has served on the Polk County Board of Supervisors for 28 years, and was around PMR&C in the early formative years

Chair Hamilton asked if Mr. Bishop has any experience in the gaming industry. Mr. Flynn answered in the negative, but noted that he is currently serving as Chair of the PMR&C Board and is a past Chair of the Polk County Board of Supervisors. He noted that the county has over 1,000 employees, and Mr. Bishop is familiar with unions.

Chair Hamilton asked if the contract with Mr. Bishop would be renegotiated if the position is filled by August 1, or if Mr. Bishop would actually serve in the position for a year. Mr. Flynn answered in the negative, stating that the contract is actually on a month-to-month basis; Mr. Bishop is considered an at-will employee and receives no benefits other than reimbursement for out-of-pocket expenses. The employment contract can be terminated by either party on 30 days notice.

Mr. Flynn advised that Mr. Bishop served in the CEO position for four months with no compensation as the Board conducted a study to determine what would be considered a reasonable fee for an interim general manager. The study found that the fee would be \$275,000 plus a percentage for a performance bonus for an individual who knows the gaming and pari-mutuel industry. The salary agreed to by Mr. Bishop and PMR&C is less than what was recommended. Mr. Flynn noted that the Board and employees are pleased with the way operations have gone since Mr. Bishop's arrival. He advised that the employment agreement was submitted to the IRS at the same time it was submitted to

the Commission. Mr. Flynn stated that he does not anticipate there being a problem with the IRS based on the study conducted by DeLoitte and Touche.

Commissioner Cutler asked about the out-of-pocket expenses. Mr. Flynn indicated they would be for his cell phone. In the event that Mr. Bishop would attend any conferences on behalf of PMR&C, PMR&C would pay the associated expenses.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-64)

Chair Hamilton moved to the Hearing for PMR&C for a violation of Iowa Code Section 99F.9(5) (Wagering – Age restriction). Mr. Ketterer stated that PMR&C and the Commission have entered into a Stipulated Agreement concerning this matter, which stems from a minor gaining access to the casino floor. The individual walked past a security officer who did not request identification. The individual was on the floor for 40 minutes and gambled at a slot machine prior to another security officer requesting identification. Mr. Ketterer noted that the Commission did acknowledge that during the time frame of March 5, 2005 through March 5, 2006, PMR&C requested identification from 291,237 individuals and denied access to 2,390 of those individuals. Additionally, the Commission acknowledges that PMR&C was previously sanctioned for allowing a minor to gain access to the casino on March 8, 2005 and July 3, 2005, making this the third such violation within a year. This third violation within the one-year period increases the administrative penalty to \$15,000. The Stipulated Agreement is binding on the parties upon approval by the Commission. Mr. Ketterer recommended approval of the Stipulated Agreement.

Hearing no comments or questions concerning the Stipulated Agreement, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Stipulated Agreement as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-65)

Chair Hamilton called on the Iowa Greyhound Association (IGA) for a report on the greyhound auction held on May 20th for which the Commission approved the withdrawal of funds from the Iowa West Racing Association/IGA escrow account. Jon Garner, legal representative for the IGA, stated that the auction was a success with over \$116,000 in total sales. Individuals from a number of states attended the auction. The auctioneer firm of Ryan Mahan & Associates conducted the auction. Mr. Mahan was very impressed with the quality of the racing stock offered for sale, and has already expressed an interest in helping with future auctions. Mr. Garner indicated that the IGA has only received positive feedback, and have already begun planning next year's auction.

Chair Hamilton moved to Administrative Business, and called on Mr. Ketterer. Mr. Ketterer advised that the Commission was giving public notice that requests for the Dog

Racing Promotion Fund for Fiscal Year 2007 are due in the Commission's Des Moines office by June 30, 2006.

The next item under Administrative Business was a discussion concerning the Commission's schedule for sanctions. Mr. Ketterer noted that a minor violation at PMR&C approximately ten years ago laid the ground work for these violations coming before the Commission based on three thresholds being in place: no identification requested, the minor was on the gaming floor for more than 30 minutes, and they had gambled and/or consumed alcohol. The fine for the first incident is \$10,000, and increases to \$15,000 for multiple violations.

Mr. Ketterer stated there is a need for a pre-conceived penalty, noting that the facts and/or situation are rarely in dispute. The Commissioners have no knowledge of how these fines and Stipulated Agreements are conceived. Mr. Ketterer indicated that he felt it was time to review the thresholds as they have not been addressed in quite some time. He suggested that the Chair and Vice Chair consider the issues and report back at the July meeting.

With regard to the regulatory fees for Fiscal Year 2007, Mr. Ketterer noted these fees are dependent upon the Legislature's approval of the budgets for the Commission and Department of Public Safety/Division of Criminal Investigation. Budget bills are normally one of the last bills to be passed by the Legislature, and the Governor, who has line item veto power, takes his time in approving the budget bills. Mr. Ketterer stated the fees for Fiscal Year 2007 have been calculated; however, they need further review and he would like to send a draft to the licensees. He noted the Commission does have the ability to make adjustments in the fees. Mr. Ketterer stated that he was seeking permission to collect the first week's payment due July 6, with the actual approval of the fees taking place at the Commission's meeting on July 13th on a retroactive basis. Permission was granted.

As there was no Public Comment, Chair Hamilton requested a motion to adjourn. Commissioner Bair so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK